

This Report will be made public
on 19 May 2021



Report Number **AG/21/01**

To: Audit and Governance Committee
Date: 27 May 2021
Status: Non-executive Decision
Head of Service: Charlotte Spendley, Director of Corporate Services

Subject: Grant Thornton Risk Assessment Work

Summary: Grant Thornton are seeking confirmation from the Committee about how it gains assurance from management and from the S151 Officer on the management processes in place. Their request includes a series of questions on fraud, laws and regulations. The proposed responses are enclosed.

Reasons for recommendations:

The Committee is asked to agree the recommendations below and approve the recommended responses to Grant Thornton.

Recommendations:

1. To receive and note Report AuG/21/01.
2. To note the proposed response from management to Grant Thornton's requests (Appendix 1).
3. To consider and approve the proposed response from the Chairman to Grant Thornton's requests (Appendix 2).

1. INTRODUCTION AND BACKGROUND

- 1.1. Grant Thornton have requested the Chairman of the Audit and Governance Committee provide confirmation over the frameworks and processes in place within the Council. A copy of the request and the proposed responses from management are attached at Appendix 1. The purpose is to contribute to effective communication between the Council's external auditor and the Committee.
- 1.2. In order to comply with international auditing standards, each year Grant Thornton is required to confirm their understanding of how the Committee gains assurance over management processes and arrangements. The questions cover important areas relating to the auditor risk assessment, including processes for managing risks relating to fraud, law and regulation, related parties and accounting estimates.
- 1.3. In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures includes significant enhancements in respect of the audit risk assessment process for accounting estimates. As part of this process auditors also need to obtain an understanding of the effectiveness of the role of those charged with governance relating to accounting estimates adopted by management, which is particularly important where the estimates have high estimation uncertainty or require significant judgement. Questions relating to accounting estimates and the proposed responses are included within Appendix 1.
- 1.4. The Chairman is also requested to provide responses to a series of questions to the Audit & Governance Committee to confirm their understanding of management processes and the Committee's oversight of these. A copy of the request and proposed responses are attached at Appendix 2.
- 1.5. A representative from Grant Thornton will be in attendance at the meeting to present the report and answer Members' questions.

2. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

Legal Officer's Comments (AK)

- 2.1 There are no legal implications arising directly out of this report.

Finance Officer's Comments (CS)

- 2.2 There are no additional comments arising from this report.

Diversity and Equalities Implications (CS)

- 2.3 There are none arising directly from this report

3 CONTACT OFFICERS AND BACKGROUND DOCUMENTS

- 3.1 Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Charlotte Spendley, Director of Corporate Services

Tel: 07935 517986 E-mail: charlotte.spendley@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report:

No background documents have been used.

Appendices:

Appendix 1 - Response to questions raised by Grant Thornton to management.

Appendix 2 - Response to questions raised by Grant Thornton to the Chairman.